



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Execute a Contract with Camp Dresser & McKee, Inc., for Value Engineering Services for the White Slough Water Pollution Control Facility Project and Appropriate up to \$120,000

MEETING DATE: December 17, 2003

PREPARED BY: Public Works Director

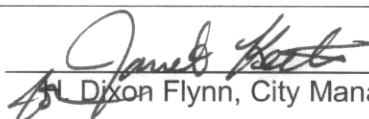
RECOMMENDED ACTION: That the City Council adopt a resolution authorizing the City Manager to execute a contract with the engineering firm of Camp Dresser & McKee, Inc., (CDM) from Walnut Creek for value engineering services on the White Slough Water Pollution Control Facility Project and appropriate up to \$120,000 from the Wastewater Fund.

BACKGROUND INFORMATION: In anticipation of receiving a State Revolving Fund (SRF) loan for the White Slough project, staff solicited proposals for value engineering (VE) services. This is a requirement of the SRF program on projects over \$10 million, although it is not an eligible expense for the loan. VE, in the context of the wastewater industry and state guidelines, is a specialized cost-control technique applied by an independent team of experienced multidisciplinary professionals who review design documents during their development for proposed wastewater treatment facility improvements. VE is intended to provide a systematic, functional and creative study of proposed facilities or modifications to those facilities to identify life cycle cost savings without sacrificing performance or reliability. The work is done in a fairly intense workshop setting over the course of a week or so.

Since 1976 under its construction grants program, the United States Environmental Protection Agency (EPA) has required value engineering studies on wastewater treatment works with estimated construction costs greater than \$10 million. According to the EPA, during a seven-year review period, VE studies were conducted on 273 EPA construction grant projects with a resulting net capital savings of \$401 million. This produced a \$15 return for each dollar invested in VE costs and a 5.4 percent net capital savings on \$7.5 billion worth of total project costs. Substantial operating and maintenance savings may also be realized over the life of the wastewater treatment works. One could compare this to purchasing "insurance" – you hope you don't need it, but it's there if you do.

Although these "pro" arguments in favor of the VE process are compelling, there are some disadvantages, particularly in terms of the City's Phase 2 project. The Phase 2 project is mainly the purchase and installation of specific equipment and is under a very tight schedule. This process would cause some delay, potentially significant. City staff and our consultant have reservations as to the time implications and the limited opportunity to find significant cost savings on this phase, given the nature of the work. As we have described in other reports to the City Council, we have arrived at this stage of the

APPROVED:


James Flynn, City Manager

project after numerous studies and evaluation of alternatives. In a large part, this has led us to the time crunch we are in now. In addition, unlike some other projects, operations and maintenance staff have been heavily involved in the planning and design of our project. Ease of operation and maintenance and reliability are paramount in their minds and the design takes those views into account. In addition, the City's construction project manager, who has successfully completed major building projects such as Hutchins Street Square, Lodi Station Parking Structure and the Police Building, is on this project. Part of his work includes a post-bid VE type review with the contractor which often results in change orders crediting the City. For example, on the Police Building, we have had four VE-type deductive change orders totaling slightly over \$95,000.

We also note that many of the VE advantages described by EPA are based on older experience. The industry has matured and benefited from this past work and many of the techniques are now standard practice.

Staff is recommending that we plan to do the VE work at the appropriate time for Phase 3 and work with the design team and VE team on a modified process and more focused review of the installation plans and specifications for the Phase 2 work.

Nine requests for proposals were sent to area engineering firms. Three proposals were received.

The work program from the three firms is fairly comparable, given that it is following established guidelines, and consists of two separate VE sessions for Phases 2 and 3. The total costs were as follows:

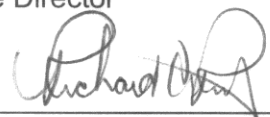
Harris & Associates	\$ 96,320
Camp, Dresser & McKee, Inc.	\$115,352
Black & Veatch	\$146,220

Staff is recommending that the firm of CDM be selected. CDM's team includes specialists from other firms. Some of these individuals have previously completed projects for the City and did an exemplary job and are familiar with our facility. These firms, who were also sent RFP's, combined their talents to present a well-rounded, knowledgeable VE team.

As noted above, the modified process for Phase 2 will require some changes in the work plan and will result in reduced cost. Staff proposes to review this work plan with the City Manager for final approval.

FUNDING: Wastewater Capital Fund


Vicky McAthie, Finance Director


Richard C. Prima, Jr.
Public Works Director

RESOLUTION NO. 2003-242

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
THE CITY MANAGER TO EXECUTE A CONTRACT WITH
CAMP DRESSER & MCKEE, INC., FOR VALUE ENGINEERING
SERVICES FOR THE WHITE SLOUGH WATER POLLUTION
CONTROL FACILITY PROJECT AND APPROPRIATE FUNDS
FOR THE PROJECT

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NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute a contract with Camp Dresser & McKee, Inc., for value engineering services for the White Slough Water Pollution Control Facility Project; and

BE IT FURTHER RESOLVED that the City Council hereby appropriates up to \$120,000.00 from the Wastewater Fund for this project.

Dated: December 17, 2003

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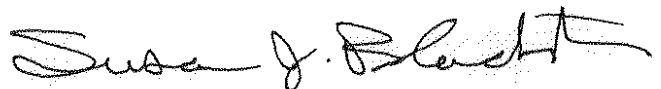
I hereby certify that Resolution No. 2003-242 was passed and adopted by the Lodi City Council in a regular meeting held December 17, 2003, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hitchcock, Howard, Land, and Mayor Hansen

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk